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Where ideas connect

Unrelated Business Income 2002

tax.utah.gov

Form TC-20UBI

Tax Return and Instructions

for Unincorporated Exempt Organizations or Corporations

Utah State Tax Commission
210 North 1950 West
Salt Lake City, Utah 84134

What's New?

The interest rate for the 2003 calendar year has been reduced to 5 percent.

Important Information Regarding Extension of Time to File

An extension of time to file your tax return is NOT an extension of time to pay your taxes. Tax must be paid by the due date. You are automatically allowed an extension of up to six months to file your return. However, if the prepayment requirements have not been met on or before the original due date, penalties will be assessed.

Need more information?

Telephone (801) 297-2200 or 1-800-662-4335

Forms (801) 297-6700 or 1-800-662-4335 ext. 6700

You can find additional tax information and forms on the Tax Commission's web page, tax.utah.gov.

If you need an accommodation under the Americans with Disabilities Act, contact the Tax Commission at (801) 297-3811 or Telecommunications Device for the Deaf (TDD) (801) 297-2020. Please allow three working days for a response.

General Instructions and Information

Corporation Identification Numbers

The Utah State Tax Commission uses the Employer Identification Number (EIN) as the corporation's taxpayer identification number with the state. The Utah Department of Commerce issues a registration number upon incorporation or qualification in Utah. Enter the EIN and Utah Incorporation/Qualification Number in the fields provided. Include your EIN or Utah Incorporation/Qualification Number for proper identification of the corporate tax return or correspondence.

Corporation Changes

Corporation changes (i.e. name change, merger, or ceasing to do business in Utah) must be reported to both:

Division of Corporations
Department of Commerce
160 E 300 S
Salt Lake City, UT 84145

and:

Master File Maintenance
Utah State Tax Commission
210 N 1950 W
Salt Lake City, UT 84134-3310

Dissolution or Withdrawal

Corporations that cease to do business in Utah must either dissolve or withdraw the corporation. Corporations that are incorporated in Utah must file Articles of Dissolution with the Department of Commerce. In addition, Utah corporations are encouraged to obtain a Certificate of Tax Clearance prior to dissolution.

Corporations that are incorporated outside of Utah (foreign) **MUST** obtain a Certificate of Tax Clearance from the Tax Commission before withdrawing from Utah. Foreign corporations must file an Application for Withdrawal with the Department of Commerce.

To request a Certificate of Tax Clearance, complete form TC-2001 and submit it to the attention of the Customer Services Call Unit at the Tax Commission address above.

To close related tax accounts, (sales, withholding, etc.), send a letter, with the account number(s) and the last date of business, to the attention of Master File Maintenance at the Tax Commission address above.

Who Must File

An exempt corporation incorporated in Utah (domestic), qualified in Utah (foreign), or doing business in Utah whether qualified or not, must file an unrelated business income tax return, form TC-20UBI, when it has unrelated business income.

Taxable Year

The taxable year for Utah unrelated business income tax purposes must match the taxable year used for

federal unrelated business income tax purposes. When the taxable year changes for federal purposes, the taxable year must be adjusted accordingly for Utah unrelated business income tax purposes.

Due Date

Returns are due on or before May 15 (for calendar year filers) or the 15th day of the fifth month following the close of the taxable year (for fiscal year filers).

Filing Extension

Corporations are automatically allowed an extension of up to six months to file a return without filing an extension form. **This is an extension of time to file the return — NOT an extension of time to pay taxes.** To avoid penalty and interest, the prepayment requirements must be met on or before the original return due date and all returns must be filed within the six-month extension period.

Prepayment Requirements

Every corporation with unrelated business income having a Utah tax liability of \$3,000 or more in the current year, or a tax liability of \$3,000 or more in the previous year, must make quarterly estimated tax prepayments.

An exempt corporation is not subject to the prepayment requirements for the first year the corporation is required to file a return in Utah if the corporation makes a payment on or before the due date, without the automatic extension, equal to or greater than the minimum tax.

Quarterly prepayments are due in four equal payments on the 15th day of the 4th, 6th, 9th and 12th months of the corporation's taxable year. Corporations may elect to make the quarterly prepayments equal to 90 percent of the current year's tax or 100 percent of the prior year's tax. As defined in IRC Section 6655, the applicable percentage of the required annual payment for annualized income installments, for adjusted seasonal installments, and for estimated tax payments based on the current year tax liability, is the following:

<u>Installment</u>	<u>Percentage</u>
1st	22.5
2nd	45.0
3rd	67.5
4th	90.0

If a taxpayer elects a different annual period than the period used for federal purposes, the taxpayer must make an election with the Tax Commission at the same time as provided in IRC Section 6655. Prepayments should be made with form TC-559, "Utah Corporation Franchise/Income Tax Payment Coupon."

Corporations not making the required tax prepayments are subject to a penalty as stated in "Penalties," below.

Penalties

The penalty for **failure to file a tax due return** by the due date is the greater of \$20 or 10 percent of the unpaid tax. In

addition, if a tax balance remains unpaid 90 days after the due date, a second penalty, the greater of \$20 or 10 percent of the tax balance, will be added for failure to pay timely.

The penalty for **failure to pay tax due** as reported on a timely filed return, or within 30 days of a notice of deficiency, is the greater of \$20 or 10 percent of the tax due.

The penalty for **underpayment of an extension prepayment** is 2 percent per month of the unpaid tax during the extension period. If the return is not filed by the extension due date, failure to file and failure to pay penalties will apply as if the extension has not been granted.

The penalty for **failure to file an information return** or a complete supporting schedule is \$50 for each return or schedule, up to a maximum of \$1,000.

The penalty for each **underpayment of required estimated tax or required quarterly installment** is determined by applying the state interest rate(s) in effect for the period of the underpayment, plus four percentage points, to the amount of the underpayment for the period of the underpayment.

For a list of additional penalties that may be imposed, refer to UCA §59-1-401.

The Tax Commission will calculate the penalty for underpayment of required prepayments. Taxpayers who would like to calculate their own penalty may contact the Tax Commission at (801) 297-7790 or 1-800-662-4335, ext. 7790 for assistance.

Exceptions to Penalty on Estimated Tax

Annualized Exception

A corporation may annualize its income before determining the amount of each installment. It is recommended that federal guidelines be followed in determining annualized income. If the corporation meets the

annualized exception, for any installment, check the appropriate box(es) on form TC-20UBI, line 12.

Recurring Seasonal Exception

A corporation with recurring seasonal income may annualize its income before determining the amount of each installment. It is recommended that federal guidelines be followed in determining seasonal income. If the corporation meets the seasonal exception, for any installment, check the appropriate box(es) on form TC-20UBI, line 12.

Interest

The interest rate applicable for most taxes and fees administered by the Tax Commission is two percentage points above the federal short-term rate in effect for the preceding fourth calendar quarter. The IRS publishes this rate in September of each year.

The interest rate for most taxes and fees administered by the Tax Commission for the 2003 calendar year is **5 percent**.

Suspension for Failure to Pay Tax Due

Utah law provides for suspension of the corporation's right to do business in Utah if the corporation fails to pay tax due before 5:00 p.m. on the last day of the 11th month after the due date.

Supporting Federal Information

Form 990-T, as filed with the IRS, should be included with the filing of the Utah return (form TC-20UBI). Other detail schedules should NOT be included with the initial Utah filing. The Auditing Division of the Tax Commission may request these detail schedules at a later date.

Instructions for Return

Rounding Off to Whole-Dollar Amounts

All entries must be made in whole-dollar amounts.

Corporation Name and Address Area

Enter the corporation name, address and telephone number in the area provided on the front of the return.

Corporation Identification Numbers

Enter the Employer Identification Number (EIN) and Utah Incorporation/Qualification Number in the appropriate fields.

Amended Returns

To amend a return, use the tax form and instructions for the year you are amending.

Amend your return promptly if:

1. An error is discovered on your state or federal return after it has been filed; or
2. Your federal return is audited or adjusted by the IRS and the IRS audit or adjustment affects your state return. You must report such changes or corrected net income within 90 days of the IRS's final determination.

Do not submit an amended return for the purpose of claiming a loss carryback refund. The Tax Commission automatically calculates this. Any refund will be mailed to the corporation.

To qualify for a refund or credit, an amended return must be filed within three years following the date the original return was filed. A return filed before the due date is considered filed on the due date.

To amend a previously filed return enter a number in the box titled "Enter code (1-4) for amended return" that best corresponds to your "REASON FOR AMENDING." See codes below:

The Reasons for Amending

1. You filed an amended return with the IRS. (Attach a copy of your amended federal return.)
2. You made an error on your state return. (Attach an explanation of the adjustments made.)
3. Federal audit adjustments that resulted in changes in federal taxable income were issued and became final. (Attach a copy of the IRS adjustment.)
4. Other (Attach explanation to return.)

Complete the return, entering the corrected figures. Enter other amounts shown on the original return. When filing an amended return, enter the amount of tax paid with the original return and/or subsequent payments of the tax prior to filing the amended return less any previous refunds (exclude refund interest).

Remember: Except for the amounts amended, the amounts entered on the return must match the original return.

Line-by-Line Instructions

Line 1 - Unrelated Business Income

Enter the unrelated business taxable income as taken from federal form 990-T, line 34.

Line 2 - Apportionment Fraction

Enter 100 percent or the fraction from Schedule J, line 7.

Line 3 - Utah Taxable Income

Line 1 multiplied by line 2.

Line 4 - Tax

Line 3 multiplied by .05.

Line 5 - Penalties and Interest

Enter any applicable penalty and interest amounts on the appropriate lines and check the corresponding boxes. Enter the total amount on this line. See "General Instructions" regarding penalties and interest.

Line 6 - Total Tax and Penalties Due

Add lines 4 and 5.

Line 7 - Total Prepayments

A refundable credit is allowed for quarterly prepayments and extension payments. Include any overpayments from the prior year applied to this year.

Line 8 - Total Remitted

If line 6 is larger than line 7, subtract line 7 from line 6. Make check or money order payable to the Utah State Tax Commission. **Do not mail cash. The Tax Commission assumes no liability for loss of cash placed in mail.**

Line 9 - Total Overpayment

If line 7 is larger than line 6, subtract line 6 from line 7. This is the amount of overpayment.

Line 10 - Overpayment to be Applied to Next Taxable Year

As a convenience to refund filers, all or part of a refund may be applied as an advance payment for the next tax year. Enter the amount to be applied (must be less than or equal to the refund amount).

Line 11 - Total Refund

Line 9 less line 10.

Line 12 - Installments That Qualify for Exceptions

Check boxes corresponding to the four quarterly prepayments for those quarters in which exceptions to penalty exist. Refer to "Exceptions to Penalty on Estimated Tax," in the General Instructions for guidelines. Attach supporting documentation.

Signature and Date Lines

Sign and date the return. A refund will not be granted unless the return is signed and dated.

Instructions for Schedule J – Apportionment Schedule

Only the property, payroll and sales included in the computation of unrelated business income or directly related to the unrelated business income of an exempt organization may be included when apportioning income.

Determine apportionment fraction by completing this schedule. The factors express a percent for tangible property in Utah, for wages and salaries in Utah, and for sales in Utah. Add these factors together and divide by the number of factors present (typically 3) to arrive at the Utah apportionment fraction calculated to **six decimals**. Apply this fraction to the apportionable income (or loss) to arrive at the amount of income (or loss)

apportioned to Utah. In cases where one or more of the factors is omitted due to peculiar aspects of the business operations, divide by the number of factors present.

Income or loss from partnership or joint venture interests must be included in income and apportioned to Utah by applying the three-factor formula consisting of property, payroll and sales.

For apportionment purposes, the portion of partnership or joint venture property, payroll and sales to be included in the corporation's property, payroll and sales factors must be computed on the basis of the corporation's ownership interest in the partnership or joint venture.

Briefly describe the nature and location(s) of your Utah business activities in the space provided at the top of this schedule.

Lines 1(a)-1(e) - Tangible Property

Show the average cost value during the taxable year of real and tangible personal property used in the business within the state (including leased property) in column A and overall (including Utah) in column B.

Property owned by the corporation is valued at its original cost. Property rented by the corporation is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the corporation less the annual rate received by the corporation from subrentals.

The average value of property must be determined by averaging the cost values at the beginning and ending of the tax period. However, monthly values may be used or required if monthly averaging more clearly reflects the average value of the corporation's property.

A supporting schedule should be attached whenever monthly averaging is used.

Line 2 - Total Tangible Property

Enter totals of lines 1(a) through 1(e) in the respective columns.

Line 2(a) -Property Fraction

Determine property fraction: column A, line 2 divided by column B, line 2.

Line 3 - Wages, Salaries, Commissions, and Other Includable Compensation

Wages, salaries, commissions and other includable compensation paid to employees for personal services must be included in the Utah factor to the extent that the services, for which the compensation was paid, were rendered in Utah.

Compensation is paid in the state if:

1. The individual's service is performed entirely within the state;
2. The individual's service is performed both within and outside the state, but the service performed outside the state is incidental to the individual's service within the state; or
3. Some of the service is performed in the state and
 - a. The base of operations or, if there is no base of operations, the place from which the service is directed or controlled is within this state, or
 - b. The base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

Amounts reportable for Employment Security purposes may ordinarily be used to determine the wage factor.

Line 3(a) -Wages Fraction

Determine wage fraction: column A, line 3 divided by column B, line 3. Overall wages, including Utah, are listed in column B.

Lines 4(a) - 4(e) - Gross Receipts from Business

The sales factor is the percentage the sales or charges for services within the state for the taxable year bear to the overall sales for the taxable year. Gross receipts from the performance of services are in this state to the extent the services are performed in this state.

Sales of tangible personal property are in this state if the property is delivered or shipped to a purchaser within this state regardless of the F.O.B. point or other conditions of the sale, or if the property is shipped from an office, store, warehouse, factory or other place of storage in this state and (1) the purchaser is the United States government, or (2) the corporation is not taxable in the state of the purchaser.

Nexus: The jurisdictional link that must be present before a state may tax a corporation upon its activities within a state's borders.

Note: Exception to the above method for securities brokerage businesses can be found in UCA §59-7-319(3).

Line 5 - Total Sales and Service

Enter totals of lines 4(a) through 4(e) in their respective columns.

Line 5(a) -Sales Fraction

Determine sales fraction: column A, line 5 divided by column B, line 5. Overall sales, including Utah, are listed in column B.

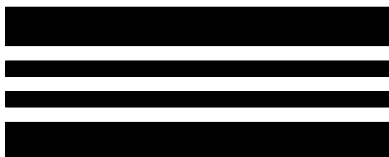
Line 6 - Total Fraction

Enter total of lines 2(a), 3(a), and 5(a).

Line 7 - Apportionment Fraction

Calculate the apportionment fraction to **six decimals**: Line 6 divided by the number of factors used (typically 3 - property, wages and sales). If one or more of the factors are not present (i.e., there is a zero represented on lines 2, 3 or 5 in column B), divide by the number of factors present. If the numerator is zero, but a denominator is present, include that factor in the number of factors present.

Enter the apportionment fraction here and on form TC-20UBI, line 2.



Utah State Tax Commission
210 N 1950 W, Salt Lake City, UT 84134
**Utah Return of Unincorporated Exempt
Organization or Exempt Corporation
Having Unrelated Business Income**

2002
TC-20
UBI
Rev. 12/02

This return is for the calendar year ending Dec. 31, 2002, or fiscal year beginning _____ and ending _____.

☐ ENTER CODE (1-4)
☐ FOR AMENDED RETURN

1 - Amended IRS return 3 - IRS audit/adjustment
2 - Corrected state return 4 - Other
See instructions.

Corporation name			Employer Identification Number
Address			Utah Incorporation/Qualification Number
			Telephone Number ()
City	State	Zip code	

1. Unrelated business income from federal form 990-T, line 34	1	\$	00
2. Apportionment fraction (100% or Schedule J, line 7)	2	%	
3. UTAH TAXABLE INCOME (line 1 multiplied by line 2).....	3	\$	00
4. Tax: (multiply line 3 by .05)	4		00
5. Total the penalties and interest listed below and enter on this line	5		00
Extension penalty \$ _____ Interest \$ _____ Late payment penalty \$ _____ Penalty for underpayment Late filing penalty \$ _____ of required prepayment \$ _____			
6. Total tax, penalty and interest due (add lines 4 and 5)	6		00
7. Total prepayments (attach schedule)	7		00
8. Total remitted (if line 6 is greater than line 7, subtract line 7 from line 6)	8	\$	00
Make check payable to: UTAH STATE TAX COMMISSION			
9. Total overpayment (if line 7 is greater than line 6, subtract line 6 from line 7)	9	\$	00
10. Amount of overpayment to be applied as advance payment to next tax year	10	\$	00
11. Total refund (subtract line 10 from line 9)	11	\$	00
12. Check box(es) corresponding with installments that qualify for exceptions	1	<input type="checkbox"/>	2 <input type="checkbox"/>
(See "Exceptions to Penalty on Estimated Tax" in the instructions.)	3	<input type="checkbox"/>	4 <input type="checkbox"/>
Attach supporting documentation			

NOTE: Attach a copy of federal form 990-T to this return.

Under penalties of perjury, I declare that to the best of my knowledge and belief, this return and accompanying schedules are true, correct and complete.

Signature of officer

Date

Title

OFFICE USE ONLY

Paid Preparer's Section	Preparer's signature	Date signed	Check if self-employed <input type="checkbox"/>	Preparer's SSN/PTIN	
	Firm's name (or yours, if self-employed)		Telephone	EIN	
	Preparer's complete address		City	State	Zip code

Schedule J - Apportionment Schedule

TC-20 J, Rev. 12/02
(for use with TC-20, TC-20S, TC-20REIT & TC-20UBI)

Corporation Name

Taxable Year Ending

Employer Identification Number

**NOTE: Use this schedule only if income is taxable in another state and should be apportioned to Utah.
Use this schedule with corporate forms TC-20, TC-20S, TC-20REIT and TC-20UBI.**

Describe briefly the nature and location(s) of your Utah business activities:

1. Tangible Property

- (a) Land
- (b) Depreciable assets
- (c) Inventory and supplies
- (d) Rented property
- (e) Other tangible property

Inside Utah Column A			Inside and Outside Utah Column B	
1(a)		00		00
1(b)		00		00
1(c)		00		00
1(d)		00		00
1(e)		00		00
2		00	•	00

- (a) Fraction (line 2, Column A, divided by line 2, Column B)

3. Wages, Salaries, Commissions and Other Includable Compensation

- (a) Fraction (line 3, Column A, divided by line 3, Column B)

3		00	•	00
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4. Gross Receipts from Business

- (a) Sales (gross receipts less returns and allowances)
- (b) Sales delivered or shipped to Utah purchasers:
- (1) Shipped from outside Utah
- (2) Shipped from within Utah
- (c) Sales shipped from Utah to:
- (1) United States Government
- (2) Purchasers in a state(s) where the taxpayer has no nexus...
(The corporation is not taxable in the state of purchaser.)
- (d) Rent and royalty income
- (e) Service income (attach schedule)

3(a)		
4(a)		00
4(b1)		00
4(b2)		00
4(c1)		00
4(c2)		00
4(d)		00
4(e)		00
5		00

5. Total Sales and Services (total 4(a) through 4(e))

- (a) Fraction (line 5, Column A, divided by line 5, Column B)

6. Total of lines 2(a), 3(a) and 5(a)

7. Calculate the Apportionment Fraction to SIX DECIMALS: (line 6 divided by 3 or the number of factors present)

5(a)	
6	
7	

Enter the amount from line 7 as follows:

TC-20 filers - enter on TC-20, Schedule A, line 9

TC-20S filers - enter on TC-20S, Schedule A, line 7

TC-20REIT filers - enter on TC-20REIT, line 4

TC-20UBI filers - enter on TC-20UBI, line 2